

# Actuarial valuation as at 31 March 2013

The London Borough of Enfield Pension Fund



<b>Prepared for</b>	The London Borough of Enfield The Administering Authority of the London Borough of Enfield Pension Fund
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<b>Date</b>	28 March 2014

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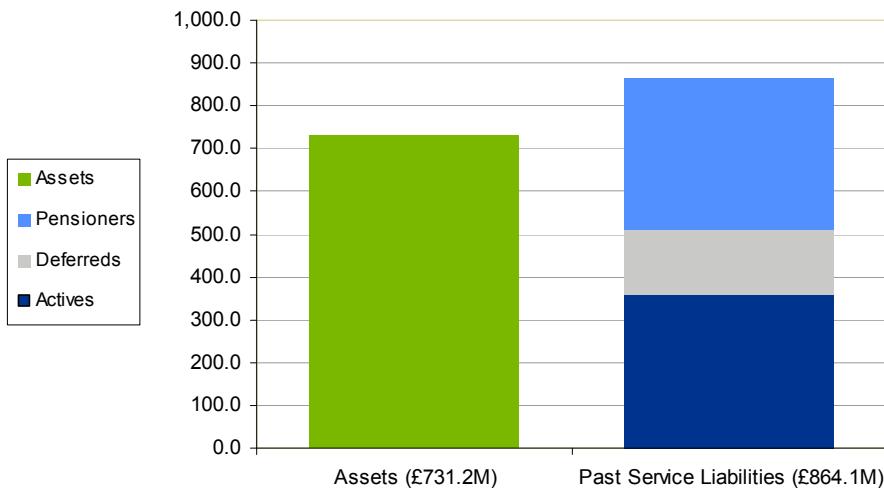
No decisions should be taken on the basis of this report by any party other than our client, the London Borough of Enfield, and nothing in this report removes the need for readers to take proper advice in relation to their specific circumstances.

# Executive Summary

*The key results of the valuation as at 31 March 2013 are set out below.*

## **There was a shortfall of £132.9M relative to the past service liabilities**

(ie relative to the amount of assets agreed with the Administering Authority as being appropriate to meet members' benefits, assuming the Fund continues as a going concern).



The aggregate Employer future service contribution rate in respect of the benefits provided by the 2014 Scheme is 15.6% of Pensionable Pay.

The aggregate Employer contribution rate required to restore the funding ratio to 100% using a recovery period of 20 years from 1 April 2014, is 21.4% of Pensionable Pay (if the membership remains broadly stable and pay increases are in line with our assumptions). The comparable figure at the previous valuation was 20.4% of Pensionable Pay.

The contributions payable by each Employer or group of Employers may differ because they allow for each Employer's or group's particular membership profile and funding ratio, and assumptions and recovery periods appropriate to their circumstances.

# Actuarial valuation as at 31 March 2013

## The London Borough of Enfield Pension Fund

### Contents

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Introduction .....	1
Update since the previous valuation .....	2
Membership data .....	4
Benefits valued .....	6
Asset data .....	7
Funding objective .....	8
Summary of method and assumptions .....	9
Past service results .....	11
Reasons for change in past service position .....	12
Addressing the shortfall .....	13
Cost to the Employers of future benefits .....	14
Low risk funding measure .....	15
Risks and uncertainties .....	16
Individual Employer contribution rates .....	18
Final comments .....	19
Appendix 1: Legal framework .....	20
Appendix 2: Membership data .....	21
Appendix 3: Membership data by Employer .....	22
Appendix 4: Benefits .....	24
Appendix 5: Consolidated revenue account .....	30
Appendix 6: Employer funding strategies .....	31
Appendix 7: Assumptions used to value the liabilities .....	33
Appendix 8: Assumptions for low risk measure .....	36
Appendix 9: Membership experience .....	37
Appendix 10: Current contribution rates .....	38
Appendix 11: Rates and Adjustments Certificate .....	39
Appendix 12: Glossary .....	43

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# Introduction

*This report has been prepared for the Administering Authority. It sets out the results and conclusions of the valuation as at 31 March 2013.*

This is our actuarial valuation report. It draws together other pieces of work and advice from throughout the valuation process. Appendix 1 sets out the legal framework within which the valuation has been completed.

Throughout this report, assets and liabilities in respect of defined contribution additional voluntary contributions (or AVCs) have been excluded.

Some shorthand used in this report is explained opposite. Some technical pensions terms are explained in the Glossary in Appendix 12.

## Shorthand

### Fund

The London Borough of Enfield Pension Fund

### Administering Authority

The London Borough of Enfield, the Administering Authority of the London Borough of Enfield Pension Fund

### Employers

The London Borough of Enfield, and other Employers with employees participating in the Fund

### Regulations

The Local Government Pension Scheme Regulations (see Appendix 12)

### Pensionable Pay

As defined in the Regulations

### Pensionable Service

Periods of membership, as defined in the Regulations

## Snapshot view

The report concentrates on the Fund's financial position at the valuation date. As time moves on, the Fund's finances will fluctuate. If you are reading this report some time after the valuation date, the Fund's financial position could have changed significantly.

# Update since the previous valuation

## The key results from the previous valuation as at 31 March 2010 were:

The Fund's assets were £569.9M and the past service liabilities were £697.6M, which corresponded to a shortfall of £127.7M and a funding ratio of 82%.

The future service contribution rate was 15.1% of Pensionable Pay.

The Administering Authority agreed Employer contributions from 1 April 2011 designed to restore the funding ratio to 100% over a period not exceeding 20 years.

The resulting aggregate Employer contributions were

- The Employer future service contribution rate of 15.1% of Pensionable Pay and
- Additional monetary amounts as follows

Year	Aggregate shortfall contribution (£M)
2011/12	6.5
2012/13	6.9
2013/14	7.3
2014/15	8.4
2015/16	9.6
2016/17	10.7

The amount payable over 2016/17 was scheduled to increase on 1 April 2017 and each 1 April thereafter by 5.3% a year.

In addition the Employers paid contributions required in respect of any additional costs arising on early retirement or due to discretionary increases in benefits.

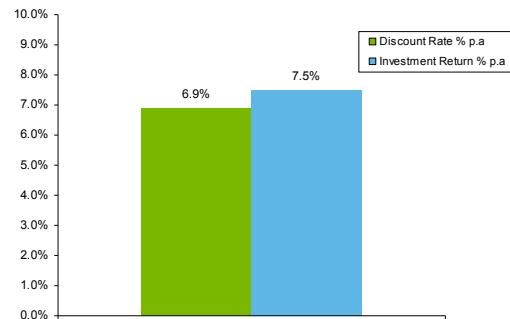
In addition, members paid contributions required under the Regulations.

## Financial development

To illustrate the Fund's financial development since the previous valuation, we compare below key financial assumptions made at the previous valuation with what actually happened.

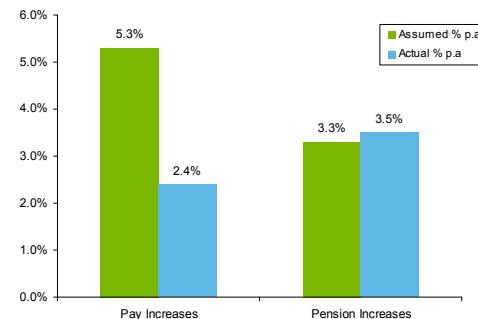
### ▪ Investment return (or discount rate)

The investment return has been higher than the discount rate assumed.



### ▪ Inflationary pay and pension increases

Increases to pay were lower than assumed. Increases to pensions in payment were higher than assumed.



Where material we show the financial impact of the above developments later in this report.

## Other key developments since the previous valuation

As well as the contributions paid to the Fund since the previous valuation and the returns achieved on the Fund's assets, there have been the following material developments since the previous valuation date:

- **Change to pension increases**

The Government announced in 2010 that pension increases in deferment and payment for public sector pension schemes should be determined by reference to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) for all benefits in excess of GMPs.

This change was reflected in our previous valuation.

- **Changes to State Pension Age**

State Pension Age is currently transitioning from age 65 (60 for women) to age 68. The Chancellor recently announced proposals for how further changes in State Pension Age will be linked to future changes in longevity. This will affect the age at which pensions will normally commence under the 2014 Scheme. This valuation does not allow for these latest proposals. We comment later in this report on the potential effect.

- **2014 Scheme**

A new scheme applies for Pensionable Service from 1 April 2014. The key features are:

- Career average structure
- Accrual rate of 49ths
- Pensions revalued by CPI before retirement
- Normal Retirement Age linked to State Pension Age
- Changes to member contributions and in particular, member contribution rates increased for those earning above £43,000p.a.
- Member contribution rates will be based on actual (previously full time equivalent) pay
- Introduction of a 50/50 option, with member contribution rate and pension accrual rate both half rate
- An underpin to pensions for members within 10 years of age 65 in April 2012.

Benefits for Pensionable Service before 1 April 2014 will be protected, and calculated by reference to current retirement ages. The link to final pay remains for active members.

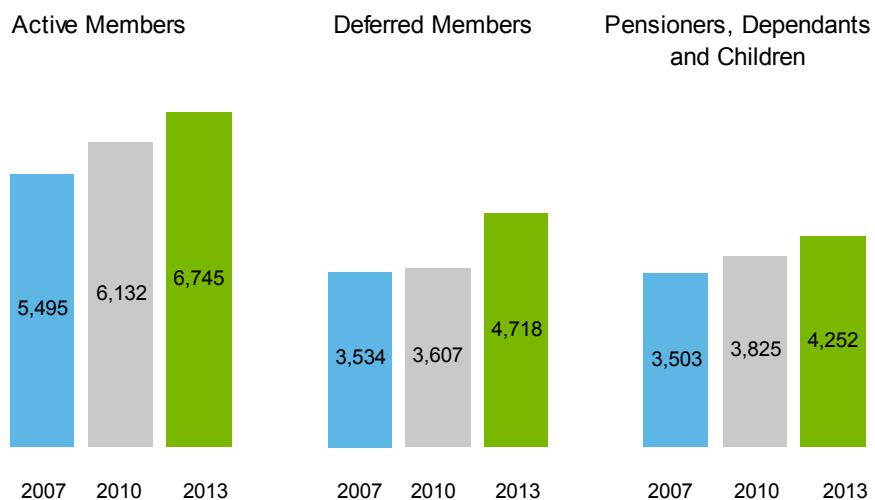
This valuation reflects our current understanding of the benefits to be provided by the new 2014 Scheme.

# Membership data

*This valuation is based on membership data as at 31 March 2013 supplied to us by the London Borough of Enfield.*

Summaries of the membership data are included in Appendices 2 and 3.

The chart below shows how the membership profile of the Fund has changed over the last three valuations. During this period, the number of members in each category of membership has increased, and the overall membership profile has remained broadly stable.



Note: In addition to the number of deferred members shown above at 2010 and 2013, there were a number of members who had yet to decide whether to take a transfer payment. Suitable allowance has been made for these in our calculations.

## Membership data

We have carried out some general checks to satisfy ourselves that:

- The information used for this valuation is sensible compared with the information used for the previous valuation and also with that shown in the Fund's Annual Report and Accounts.
- The results of this valuation are consistent with the results of the previous valuation.

However, the results in this report rely entirely on the accuracy of the information supplied. If you believe the data we have used may be incomplete or inaccurate, please let us know.

### Pensionable Pay in the 2014 Scheme

We have been provided with Pensionable Pay for the year ended 31 March 2013, as defined for the 2008 Scheme. A different definition applies for benefits building up after 1 April 2014. In particular certain elements of pay which were previously not pensionable, will be included.

In this valuation, we have assumed that members have not received significant non-pensionable pay, and hence that Pensionable Pay for membership before and after 1 April 2014 will be broadly similar.

If this is not the case, total Pensionable Pay after 1 April 2014 will be higher than allowed for. The impact on the results of our valuation would be as follows:

- We do not expect this to affect the cost of benefit built up as a percentage of Pensionable Pay, although the payroll to which this percentage is applied will be higher, increasing the cost in monetary terms.
- We do not expect this to affect liabilities in respect of service prior to 31 March 2014 which will continue to be based on the current definition.
- Any shortfall contributions expressed as a percentage of pay will be applied to a higher payroll than anticipated. The shortfall might then be expected to reduce faster than assumed (if experience is otherwise as expected).

# Benefits valued

*Members are entitled to benefits defined in the Regulations. Different benefits apply to Pensionable Service before 1 April 2008, between 1 April 2008 and 31 March 2014, and from 1 April 2014. A summary of the benefits allowed for in our valuation is given in Appendix 4.*

## Discretionary benefits

Employers have discretion over payment of certain benefits and it is not practical to allow for the policies of each Employer. Most discretionary benefits are financed as they occur, so the financial impact on this valuation is minimal. No specific allowance has therefore been made for benefits which are granted at the discretion of the Employer.

## GMP equalisation

The Government issued a consultation in 2012 on equalising Guaranteed Minimum Pensions (GMPs) between men and women. However, there remains considerable uncertainty about exactly how this will be carried out in practice. Therefore, at this stage, we have made no allowance for the equalisation of GMPs in the valuation.

## State Pension Age changes

Normal Pension Age for Pensionable Service on or after 1 April 2014 will be State Pension Age. This is currently transitioning from age 65 (60 for women) to age 68 by 2046. Legislation to bring forward the increase to age 67 to 2028 is expected to be enacted in Spring 2014.

We have reflected these known increases in State Pension Age in this valuation. No allowance has been made for the Chancellor's recent announcement that State Pension Age might be linked to future increases in longevity. We comment further on this later in this report.

## 2013 Local Government Pension Scheme Regulations

The Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 both come into force on 1 April 2014.

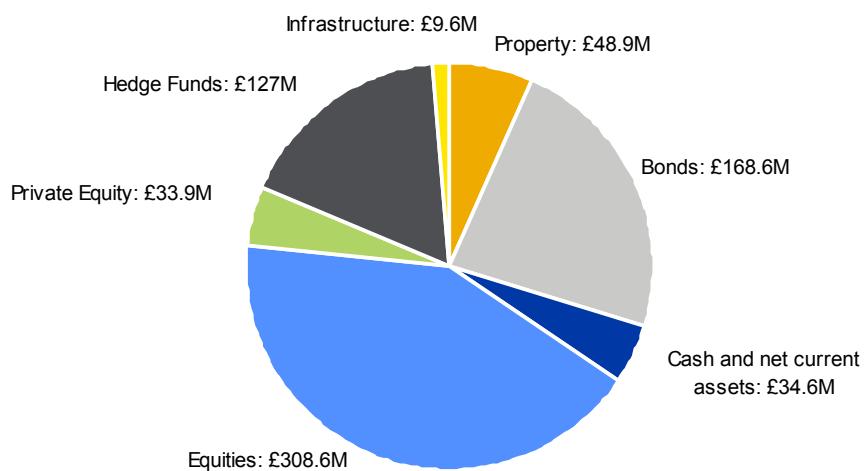
Our valuation reflects our understanding of the Regulations currently available. Any future changes may affect the conclusions in this report. However we do not anticipate any significant changes at this time.

We have made no allowance in this valuation for any future potential changes to benefits resulting from the cost management mechanism under the Regulations.

# Asset data

*The audited accounts for the Fund for the year ended 31 March 2013 show the value of the assets to be £731.2M.*

The assets of £731.2M at the valuation date were invested as follows:



The audited accounts and this summary exclude assets for defined contribution AVC accounts.

The Statement of Investment Principles describes the Fund's investment strategy as follows:

*"The current target asset allocation strategy...is set out in the table below..."*

Asset Class	Weighting
Equities (incl private equity)	40% +/- 10%
Hedge Funds	15% +/- 5%
Property (UK)	10% +/- 5%
Infrastructure / PFI	6% +/- 3%
Bonds	29% +/- 10%

# Funding objective

## Terminology

### Past service liabilities

The funding target for a Fund agreed as part of the actuarial valuation.

### Funding objective

To hold sufficient and appropriate assets to meet the past service liabilities.

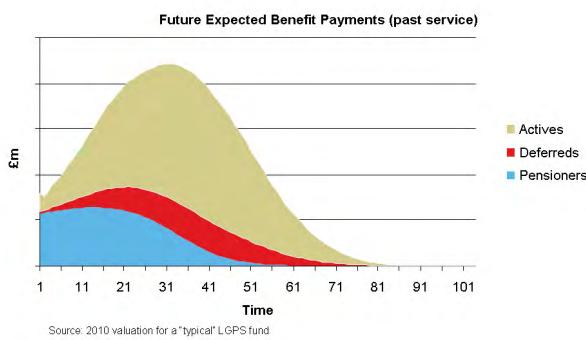
### Funding strategy statement

Sets out the Administering Authority's strategy for meeting the funding objective.

The Administering Authority's funding objective is to hold assets which are at least equal to the past service liabilities.

In order to calculate the past service liabilities and the cost to the Employers of future benefit accrual, the benefits paid out by the Fund are estimated for each year into the future. The estimated benefit payments are then 'discounted back' to the valuation date using an agreed rate of interest known as the discount rate.

The benefit payments from the Fund are expected to be made for a very long period – the chart below shows the cashflow pattern for the current membership of a typical Fund. Some cashflows will be fixed but others will be linked to future levels of inflation and salary growth.



## The discount rate

The funding strategy statement describes the risk based approach used to set the funding strategy and hence the discount rate. Under this risk based approach:

- The discount rate for long term scheduled bodies assumes indefinite future investment in assets similar to the Fund's holdings at the valuation date (allowing for any known planned changes to the long term investment strategy).  
The Fund assets are considered to have a better than evens chance of delivering investment returns in excess of the scheduled body discount rate.
- For orphan bodies, the discount rate has regard to the possibility that participation might cease at any time and anticipates a move to a low risk investment portfolio made up of long dated government bonds (of appropriate nature and term) at cessation.
- For subsumption bodies, where a long term scheduled body has agreed to subsume the liabilities of an admission body or other employer at cessation, we have agreed with the Administering Authority to use the discount rate appropriate for scheduled bodies for that employer. Details of employers to which this applies are given in Appendix 6.

An explanation of scheduled bodies, orphan bodies and subsumption bodies is given in the Glossary in Appendix 12.

# Summary of method and assumptions

*The Administering Authority agreed the assumptions used to calculate the past service liabilities and the cost of future benefit accrual. The table below summarises the key assumptions, together with those used for the previous valuation, and the reasons for any change. Further details of all of the assumptions are set out in Appendix 7.*

Assumption	This valuation	Previous valuation	Rationale for change
<b>Average in service discount rate</b>	<b>5.5% pa</b>	<b>6.9% pa</b>	Updated to reflect the Administering Authority's attitude to risk and financial conditions at 31 March 2013.
<b>Average left service discount rate</b>	<b>5.5% pa</b>	<b>6.9% pa</b>	Updated to reflect the Administering Authority's attitude to risk and financial conditions at 31 March 2013.
<b>Rate of revaluation of pension accounts</b>	<b>2.4% pa</b>	<b>N/A</b>	Not required in the 2010 valuation.
<b>Pension increases (on pension in excess of GMPs)</b>	<b>2.4% pa</b>	<b>3.3% pa</b>	Updated to reflect the outlook for CPI inflation at 31 March 2013.
<b>Pensionable Pay increases</b>	<b>3.9% pa</b>	<b>5.3% pa</b>	Updated to reflect the outlook at 31 March 2013.
<b>Post-retirement mortality assumption – base table (normal health)</b>	SAPS Normal Health Light tables with scaling factors of: Men 100% Women: 80%	SAPS Normal Health Light tables with scaling factors of: Men 100% Women: 80%	Updated to reflect recent research and the Fund's pensioner mortality experience since the last valuation
<b>Post-retirement mortality assumption – future improvements</b>	CMI 2012 core projections with long-term improvement rate of 1.5% pa	CMI 2009 core projections with long-term improvement rate of 1.25% pa	Updated to reflect our current views and research

We show below the assumed life expectancies for current members resulting from these mortality assumptions:

Assumed Life expectancy at age 65	Member currently aged 65		Member currently aged 45	
	This valuation	Previous valuation	This valuation	Previous valuation
Men	24.3	24.0	26.4	25.7
Women	27.5	26.8	29.8	28.8

We believe these assumptions are appropriate for the purposes of the valuation, and setting Employer contributions to the Fund.

As for the previous valuation, the past service liabilities have been calculated using the projected unit method. This method, with a one year control period, has also been used to calculate the cost of future benefits building up for most Employers. The attained age method has been used for some Employers who do not permit new employees to join the Fund.

The costs of providing the cash sum on death in service in the period since the previous valuation have been pooled across all Employers in the Fund.

# Past service results

*A comparison of the Fund's past service liabilities with the assets is shown below. The past service liabilities have been calculated using the assumptions described in the previous section.*

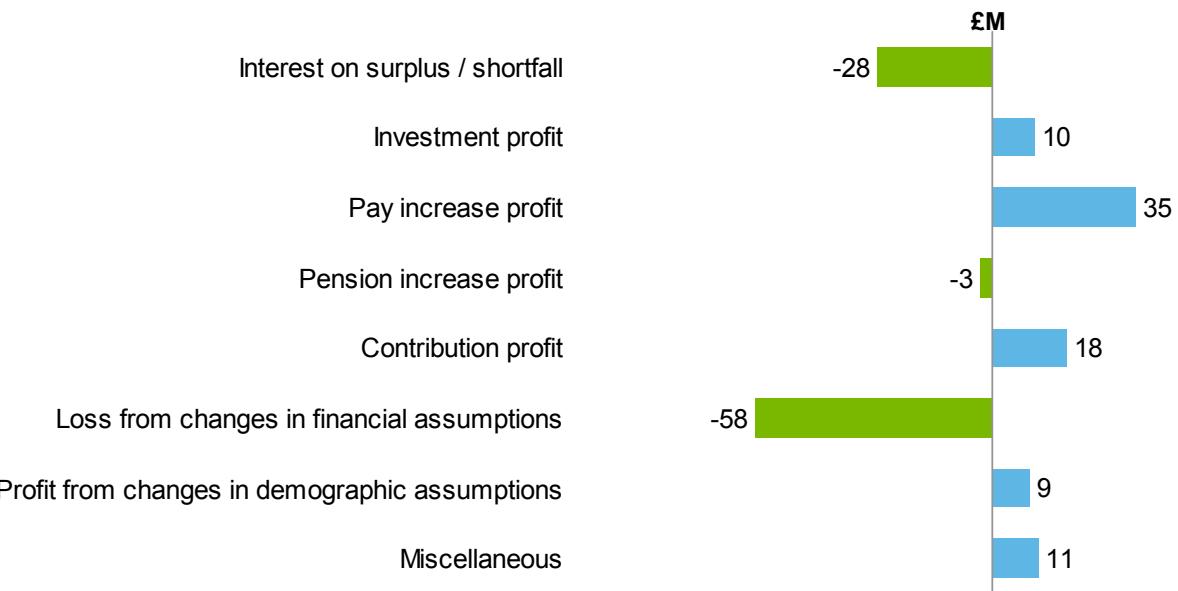
	£M
Value of past service benefits for	
Actives	359.6
Deferred members	148.9
Pensioners	355.6
<b>Total past service liabilities</b>	<b>864.1</b>
Value of assets	731.2
<b>Past service surplus (shortfall)</b>	<b>(132.9)</b>
<b>Funding ratio</b>	<b>85%</b>

Employers will need to pay additional contributions to remove this shortfall. This is considered later.

# Reasons for change in past service position

*At the previous valuation the Fund had a shortfall of £127.7M. The funding position has therefore worsened by £5.2M over the period.*

The chart below shows the key reasons for the change in funding position.



The analysis shows that the main factors affecting the funding position since the previous valuation have been:

- Investment returns on the Fund's assets above those previously assumed
- Pay increases below those previously assumed
- Change in pay increase assumption, relative to RPI
- Payment of shortfall contributions
- Changes to the demographic assumptions other than mortality

which have all improved the position; and

- Interest on the shortfall at the previous valuation
- Changes in financial assumptions, in particular a reduction in the real discount rate (discount rate relative to RPI)

which have worsened the position.

The miscellaneous item includes the effect of membership movements. In particular, there have been less ill health retirements than expected and more leavers from active membership than expected, both leading to a gain.

# Addressing the shortfall

*Employers will need to pay additional contributions to remove the shortfall.*

We have agreed with the Administering Authority a recovery plan such that the shortfall will be removed by payment of additional contributions by the Employers over a range of different recovery periods not exceeding 20 years.

The recovery period used for each Employer is set out in Appendix 6. For some Employers, contribution increases will be phased in over a number of years (or 'steps'). These stepping periods are also shown in Appendix 6.

The assumptions used to calculate the recovery plans for Employers are the same as those used to calculate the past service liabilities.

The aggregate additional shortfall contributions required to remove the shortfall by the end of 20 years from 1 April 2014 is £8.0Mpa, increasing at 3.9% pa. This is equivalent to approximately 5.8% of Pensionable Pay assuming the membership remains broadly stable and payroll increases in line with our pay increase assumption.

## Terminology

### Recovery plan

A plan for making good any shortfall relative to the past service liabilities.

### Recovery period

The period for which any contributions to remove the shortfall are to be paid.

### Shortfall contributions

The additional contributions to remove the shortfall by the end of the recovery period.

# Cost to the Employers of future benefits

*The table below shows the calculated cost to Employers at the valuation date of benefits in the 2014 Scheme that members will earn in future. This rate of Employer contribution would be appropriate if the Fund had no surplus or shortfall and the 2014 Scheme applied from 1 April 2013.*

The rate has been calculated using the same assumptions as used to calculate the past service liabilities.

	% of Pensionable Pay
Value of benefits building up	21.4
Death in service cash sum	0.3
Administration expenses	0.5
Less member contributions	(6.6)
<b>Net cost to the Employers</b>	<b>15.6</b>

Employers will also pay additional contributions to remove the shortfall for past service liabilities.

The cost of future benefits has increased slightly since the previous valuation and the main reason for this is the reduction in the discount rate relative to assumed pension increases, which has increased the cost.

The impact of this has been offset somewhat by the introduction of the 2014 Scheme.

# Low risk funding measure

*The low risk measure shown below considers the position if no allowance is made in the discount rate for returns on the Fund assets to exceed the yields available on long dated UK government bonds at 31 March 2013.*

Comparing the low risk measure with the past service result provides an indication of the level of reliance of the valuation past service result on future assumed investment returns on the Fund's asset holdings which are uncertain, and may not be achieved. Details of the assumptions used to calculate this low risk measure are summarised in Appendix 8.

	£M
Value of past service benefits for	
Actives	616.7
Deferred members	249.7
Pensioners	468.9
<b>Low risk value of liabilities</b>	<b>1,335.3</b>
Value of assets	731.2
<b>Low risk surplus/Shortfall</b>	<b>(604.1)</b>
<b>Low risk funding ratio</b>	<b>55%</b>

# Risks and uncertainties

*The Fund faces a number of key risks which could affect its funding position.*

These risks include:

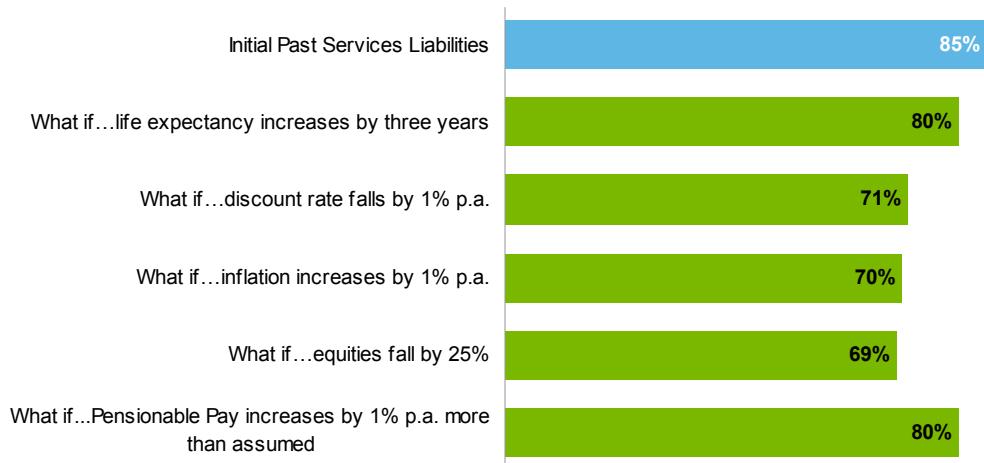
- Funding risk – the risk that the value placed on the past service liabilities is set too low and proves insufficient to meet the benefit payments as they fall due.
- Employer risk – the risk that an Employer is no longer able to meet its liabilities in the Fund.
- Investment risks – the risk that investment returns are lower than allowed for in the valuation, and that investment returns and assets move out of line with the liabilities, so the funding position is not stable.
- Longevity risk – the risk that Fund members live for longer than assumed and that pensions would therefore need to be paid for longer resulting in a higher cost for the Fund.
- Inflation risk – the risk that inflation is higher than assumed, increasing the pensions that need to be paid.
- Options for members (or other parties) – the risk that members exercise options resulting in unanticipated extra costs. For example, members could swap less of their pension for cash than allowed for.

To quantify some of these risks, the chart on the following page shows the approximate impact of the following one-off step changes on the Fund's past service funding ratio (all other elements of the valuation being unchanged):

- Life expectancy at age 65 is three years longer than anticipated (with corresponding increases at other ages).
- A 1% fall in long term expected investment returns (the discount rate) with no change in asset values.
- A 1% pa increase in expected price inflation (measured by CPI).
- A 25% fall in the market value of equities (with no change in bond markets).
- A 1% pa increase in expected Pensionable Pay increases.

## Risks and uncertainties

The chart below shows the approximate impact on the Fund's past service funding ratio of the one-off step changes mentioned above (all other elements of the valuation being unchanged):



The analysis demonstrates that on the approach used the Fund is susceptible to:

- Falls in expected investment returns, or the market value of equities
- Rising inflation and pay increase expectations
- Members living longer than expected

The scenarios considered are not 'worst case' scenarios, and could occur in combination (rather than in isolation).

The low risk measure is also highly sensitive to these factors.

# Individual Employer contribution rates

*Employers, or groups of Employers, are set their own contribution rate which reflects their specific circumstances.*

The Employer contribution rates are set by the Actuary taking into account a number of factors including:

- Administration Regulation 36 – which requires the Actuary to have regard to
  - The existing and prospective liabilities
  - The desirability of maintaining as nearly constant a common rate as possible and
  - The current version of the Administering Authority's Funding Strategy Statement.
- The results of the valuation.
- Developments since the valuation date.
- Discussions between the Actuary, the Administering Authority and Employers.

Contribution rates for Employers which contribute to the Fund are set out in the Rates and Adjustments Certificate in Appendix 11.

Rates of contribution payable by individual Employers, or groups of Employers, differ because they take into account Employers' particular membership profiles and funding ratios and, in some cases, the assumptions and recovery periods are specific to the Employer's circumstances. The Actuary and the Administering Authority have agreed that increases in contribution rates for some Employers can be phased in over periods not exceeding 6 years.

For certain Employers, we have agreed with the Administering Authority that shortfall contributions will be expressed as a percentage of Pensionable Pay. Where this is the case, rates are expressed in terms of projected Pensionable Pay figures agreed with the Employer.

Details are given in Appendix 6.

The aggregate Employer contributions for the 3 years from 1 April 2014 can be summarised as follows:

Year from 1 April	% of Pensionable Pay	Aggregate shortfall contribution (£M)
2014	15.6%	6.6M
2015	15.6%	6.9M
2016	15.6%	7.2M

- The contributions payable by individual Employers are set out in Appendix 11.
- Payments to meet additional costs arising from early retirements and other increases in benefits are payable in addition.
- The annual shortfall contributions above are the aggregate of the shortfall contributions for individual Employers in each year.
- At the end of the stepping period shown in Appendix 6, the annual shortfall contributions are anticipated to increase by approximately 3.9% pa until the end of the relevant recovery period. Thereafter, contributions are anticipated to be in line with the future service contribution rate of 15.6% of Pensionable Pay. These contributions will be subject to review at future actuarial valuations.
- Member contributions are payable in addition to the Employer contributions set out above and in Appendix 11. These are set out in the Regulations. AVCs may be paid in addition.
- Contributions by active members and Employers should be paid to the Fund at such time and at such frequency as required by the Regulations. Any monetary shortfall contributions have been calculated on the basis that they are payable uniformly over the relevant year.

## Terminology

### Rates and Adjustments Certificate

Specifies the contributions payable by the Employers until March 2017.

# Final comments

## The key results from this valuation are:

The Fund's assets were £731.2M and the past service liabilities were £864.1M which correspond to

- a shortfall of £132.9M and
- a funding ratio of 85%.

The cost to the Employers of future benefits building up is 15.6% of Pensionable Pay from 1 April 2014.

If the shortfall is removed over 20 years, from 1 April 2014 the aggregate Employer contributions needed would be equivalent to 21.4%\* of Pensionable Pay until 31 March 2034, reverting to 15.6% of Pensionable Pay thereafter.

*\* if the membership remains broadly stable and pay increases in line with our assumptions.*

## Developments since the valuation date

### State Pension Age changes

The Chancellor has recently announced proposals for how State Pension Age will be linked to future changes in longevity, and indicated that these might result in State Pension Age increasing

- To age 68 by the mid 2030s
- To age 69 by the late 2040s.

Normal Pension Age in the Fund will be linked to State Pension Age so this will affect Normal Pension Age for benefits building up after 1 April 2014 for younger members in the Fund. As indicated earlier in this report, no allowance has been made in this valuation for these possible further changes to State Pension Age.

We estimate that anticipating these further possible changes in this valuation might reduce the future service contribution rate by about 0.2% of Pensionable Pay, if no other changes were made. In practice, however, we would expect this to be offset by the cost of improvements in members' longevity so the overall impact might be expected to be negligible.

### Market movements since 31 March 2013

Since 31 March 2013, equity markets have generally risen, although this has been offset by falls in bond markets and in the risk-based discount rate that would be used for employing authorities and other long term bodies. Therefore, overall, we believe that market movements since the valuation date have had little impact on the funding ratio.

## Abolition of contracting-out

The Government is due to enact legislation in Spring 2014 to abolish contracting out from the State Second Pension from 6 April 2016. As a result the rebate in employee and employer National Insurance contributions will cease from that date.

At this stage we are not aware of any firm proposals to amend the Local Government Pension Scheme to mitigate these additional costs for Employers and employees.

## Monitoring the Fund

In light of the volatility inherent in situations where investments do not match liabilities, as for the Fund, we suggest the Administering Authority monitors the financial position in an appropriate manner on a quarterly basis.

## Next actuarial valuation

The next formal actuarial valuation is due to take place as at 31 March 2016.

If actual experience before the next actuarial valuation is in line with the assumptions in this report, we expect the Fund's funding ratio to increase to about 88%. This would be mainly due to continuing contributions to eliminate the shortfall.

# Appendix 1: Legal framework

*It is a legal requirement to carry out a full valuation at least once every three years.*

This report was commissioned by and is produced solely for the use of the Administering Authority.

It is produced in compliance with:

- Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.
- The terms of the agreement between the Administering Authority and Aon Hewitt Limited, on the understanding that this report is solely for the benefit of the addressees.

Unless prior written consent has been given by Aon Hewitt Limited, this report should not be disclosed to or discussed with anyone else unless they have a statutory right to see it.

We permit the Administering Authority to release copies of this report to the following parties only:

- Any Employer which contributes to the Fund.
- The Department for Communities and Local Government.

We also permit the Department for Communities and Local Government to pass our report to the Government Actuary's Department in connection with their statutory duties. None of the above bodies have our permission to pass our report on to any other parties.

**Notwithstanding such consent, Aon Hewitt Limited does not assume responsibility to anyone other than the addressees of this report.**

# Appendix 2: Membership data

*Membership data was provided by the London Borough of Enfield*

Active members		Number	Average age	Total pensionable pay (£000 pa)	Average pensionable pay (£000 pa)	Average service (years)
Men	2013	1,612	45.8	43,353	26,894	10.0
	2010	1,558	45.9	43,301	27,792	10.6
Women	2013	5,133	46.6	90,791	17,688	6.7
	2010	4,574	46.3	89,715	19,614	7.1
<b>Total</b>	<b>2013</b>	<b>6,745</b>	<b>46.4</b>	<b>134,144</b>	<b>19,888</b>	<b>7.5</b>
	<b>2010</b>	<b>6,132</b>	<b>46.2</b>	<b>133,016</b>	<b>21,692</b>	<b>8.0</b>

*Note: Pensionable Pay is over the year to the valuation date, and includes annualised pay for new entrants during the year. Actual part-time pay is included for part-timers.*

Deferred members		Number	Average age	Total pension (£000 pa)	Average pension (£000 pa)
Men	2013	1,358	46.9	3,712	2,734
	2010	1,130	47.3	3,162	2,798
Women	2013	3,360	45.9	5,589	1,663
	2010	2,477	46.0	4,180	1,688
<b>Total</b>	<b>2013</b>	<b>4,718</b>	<b>46.4</b>	<b>9,302</b>	<b>1,972</b>
	<b>2010</b>	<b>3,607</b>	<b>46.4</b>	<b>7,342</b>	<b>2,036</b>

*Note: The deferred pension amounts shown above include increases up to and including April 2013 (2010: April 2010). In addition to the above, there were a number of members who had yet to decide whether to take transfer payments, and suitable allowance has been made for these in our calculations.*

Pensioners		Number	Average age	Total pension (£000 pa)	Average pension (£000 pa)
Men	2013	1,381	72.1	12,187	8,825
	2010	1,310	71.7	10,244	7,820
Women	2013	2,226	70.8	9,881	4,439
	2010	1,902	70.3	7,271	3,823
Dependants	2013	645	74.4	1,702	2,639
	2010	613	73.4	1,429	2,331
<b>Total</b>	<b>2013</b>	<b>4,252</b>	<b>71.8</b>	<b>23,770</b>	<b>5,590</b>
	<b>2010</b>	<b>3,825</b>	<b>71.3</b>	<b>18,944</b>	<b>4,953</b>

*Note: The pension amounts shown above include the increase awarded in April 2013 (2010: April 2010). The 2013 figures include 25 children (2010: 26) who are in receipt of pensions. Suitable allowance has been made for these in our calculations.*

# Appendix 3: Membership data by Employer

*The distribution of membership by Employer at 31 March 2013, as indicated by the data, is shown below.*

Employer	Number of active members	Total Pensionable Pay (£000s)	Number of deferred members	Number of pensioners / dependants
London Borough of Enfield	5,788	114,728.2	4,152	3,972
Albany School	-	-	36	15
Broomfield School	-	-	2	10
Latymer School	57	908.7	14	21
St Ignatius School	-	-	-	3
St Matthews School	8	86.5	-	-
Enfield Grammar Academy	42	656.9	2	1
Enfield Grammar School	-	-	6	10
Southgate College	2	See note below	145	93
Capel Manor College	117	1,866.7	78	27
Enfield College	-	-	49	38
Enfield Leisure Trust	1	See note below	26	5
Millfield House and Theatre	-	-	2	-
Enfield Voluntary Action	8	213.0	2	3
Equion Facilities Management	-	-	-	2
Fleecefield Primary School	21	343.8	2	1
Wilbury Primary School	-	-	2	4
Oasis Academy Enfield	105	3,302.2	44	1
Fitzpatricks	2	See note below	18	5

Employer	Number of active members	Total Pensionable Pay (£000s)	Number of deferred members	Number of pensioners / dependants
Hughes Gardner	-	-	1	-
Churchill Services	1	See note below	1	-
Oasis Academy Hadley	52	1,003.6	14	1
Enfield Homes Limited	213	5,904.5	51	28
Norse Commercial Services	92	475.4	41	9
Cuckoo Hall Academy	59	959.9	-	1
Metropolitan Support Trust	4	See note below	1	-
Fusion Lifestyle	15	285.2	2	-
Aylward Academy	34	793.3	5	-
Nightingale Academy	44	881.2	12	1
Kingsmead School	41	893.6	8	1
Birkin Services	-	-	1	-
Kier Group	1	See note below	-	-
Sodexo	7	75.5	-	-
Enfield Heights Academy	2	See note below	1	-
Outward Housing	17	368.2	-	-
Woodpecker Hall Academy	8	104.8	-	-
Kingfisher Hall Academy	4	See note below	-	-
<b>Total</b>	<b>6,745</b>	<b>134,144</b>	<b>4,718</b>	<b>4,252</b>

**Notes:**

*Pay is that over the year to 31 March 2013. Annualised pay is included for entrants during the last year. Part time pay is included for part-timers.*

*For Employers with five or fewer members, pensionable pay is not shown separately for data privacy reasons, but has been included in the total.*

*In addition to the number of deferred pensioners above there were a number of members who had yet to decide whether to take a transfer payment. Suitable allowance has been made for these in our calculations.*

# Appendix 4: Benefits

The benefits of the Local Government Pension Scheme are set out in Regulations, the principal Regulations currently being:

- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as subsequently amended) for membership before April 2014
- the Local Government Pension Scheme Regulations 2013 for membership from 1 April 2014

A broad summary of the benefits payable to active members as at 31 March 2014 is given below. This reflects our understanding of the Regulations at the time of writing. This may however be subject to change and readers should refer to the Regulations for further details.

	2008 (and pre-2008) Scheme	2014 Scheme
<b>Type of scheme</b>	Final salary	Career average revalued earnings (CARE)
<b>Normal Retirement / pension age</b>	65	Linked to State Pension Age (or age 65 if higher)
<b>Member contributions</b>	Between 5.5% and 7.5% of full time equivalent Pensionable Pay dependent on contribution band the member is in (average 6.5%)  Special provisions apply for certain categories of former manual workers.	Between 5.5% and 12.5% of actual Pensionable Pay dependent on contribution band the member is in (average 6.5%)
<b>50:50 option</b>	Not applicable	Members can opt to pay 50% contributions for 50% of member's pension benefit (dependants' benefits not affected)

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	2008 (and pre-2008) Scheme	2014 Scheme
<b>Pensionable Pay</b>	Generally total pay (excluding non contractual overtime)	Generally total pay (including non contractual overtime)
<b>Final Pay</b>	Generally Pensionable Pay over the 12 months prior to retirement or earlier exit or, if higher, in one of the preceding two years.	Not applicable
<b>Pensionable service</b>	Membership of Fund (years and days), plus periods of credited service	Not applicable
<b>Normal retirement pension</b>	<p>1/60 of Final Pay for each year of Pensionable Service on or after 1 April 2008.</p> <p>For each year of Pensionable Service before 1 April 2008:</p> <ul style="list-style-type: none"> <li>▪ a pension of 1/80 of Final Pay, plus</li> <li>▪ a cash sum of 3/80 of Final Pay</li> </ul>	<p>1/49 of revalued Pensionable Pay received during membership from 1 April 2014.</p> <p>The resulting accumulated pension is called the 'pension account'.</p>
<b>Retirement cash sum</b>	<p>Pension can be surrendered for additional cash sum to a maximum cash sum of one quarter of the total capital value of benefits.</p> <p>Conversion rate is £12 for each £1 pa of pension given up.</p>	<p>Pension can be surrendered for cash sum to a maximum cash sum of one quarter of the total capital value of benefits.</p> <p>Conversion rate is £12 for each £1 pa of pension given up.</p>

	2008 (and pre-2008) Scheme	2014 Scheme
<b>Early retirement pension</b>	<p>Reduced pension payable on retirement after age 60, or after age 55 with Employer consent.</p> <p>Pension calculated as for normal retirement but based on Pensionable Service to early retirement date, and reduced for early payment.</p> <p>Certain categories of member eligible for protection can retire on unreduced pension if their age plus Pensionable Service is greater than or equal to 85 years, with Employer consent required if under age 60.</p>	<p>Reduced pension payable on retirement after age 55.</p> <p>Pension calculated as for normal retirement but based on revalued Pensionable Pay up to early retirement date, and reduced for early payment.</p> <p>Certain categories of member eligible for protection can retire on unreduced pension if their age plus Pensionable Service is greater than or equal to 85 years.</p>
<b>Incapacity and ill-health pensions</b>	<p>In each case members must be permanently incapable of efficiently discharging their current duties to qualify.</p> <p><b>Tier 1</b></p> <ul style="list-style-type: none"> <li>▪ Payable to members with more than 3 months' Pensionable Service based on Final Pay at exit and potential Pensionable Service that would have been completed to their Normal Retirement Age.</li> <li>▪ To qualify for this benefit there must be no reasonable prospect of the member being capable of undertaking any gainful employment.</li> </ul>	<p>In each case members must</p> <ul style="list-style-type: none"> <li>▪ be permanently incapable of efficiently discharging the duties of the employment they were engaged in to qualify and</li> <li>▪ be incapable of immediately undertaking any gainful employment</li> </ul> <p><b>Tier 1</b></p> <ul style="list-style-type: none"> <li>▪ Payable to members with more than 2 years of Pensionable Service.</li> <li>▪ Immediate payment of accrued pension, plus an enhancement equal to the amount of earned pension the member would have accrued between their date of leaving and their normal pension age, based on their current Pensionable Pay.</li> <li>▪ To qualify for this benefit the member must be unlikely to be capable of undertaking any gainful employment before their normal pension age.</li> </ul>

	2008 (and pre-2008) Scheme	2014 Scheme
<b>Inc incapacity and ill-health pensions (continued)</b>	<p><b>Tier 2</b></p> <ul style="list-style-type: none"> <li>▪ Payable to members with more than 3 months' service based on their Final Pay at exit and Pensionable Service completed to date of exit plus 25% of the period from date of exit to their Normal Retirement Age.</li> <li>▪ To qualify for this benefit the member must be expected to be capable of undertaking gainful employment at some point after 3 years, but before their Normal Retirement Age.</li> </ul>	<p><b>Tier 2</b></p> <ul style="list-style-type: none"> <li>▪ Payable to members with more than 2 years of Pensionable Service.</li> <li>▪ Immediate payment of accrued pension, plus an enhancement equal to 25% of their Tier 1 enhancement.</li> <li>▪ To qualify for this benefit the member must be expected to be capable of undertaking gainful employment at some point after 3 years, but before their normal pension age.</li> </ul>
	<p><b>Tier 3</b></p> <ul style="list-style-type: none"> <li>▪ Payable to members with more than 3 months' Pensionable Service based on Final Pay at exit and Pensionable Service completed to date of exit.</li> <li>▪ To qualify for this benefit the member must be expected to be capable of undertaking gainful employment at some point within 3 years of date of exit.</li> <li>▪ Payable for 3 years or until gainful employment obtained, if earlier.</li> </ul>	<p><b>Tier 3</b></p> <p>As 2008 Scheme, but subject to members having qualifying service of 2 years or more.</p>

	2008 (and pre-2008) Scheme	2014 Scheme
<b>Leaving Pensionable Service</b>	<p>Pension payable on retirement at Normal Retirement Age based on Final Pay at exit and Pensionable Service to date of exit.</p> <p>Certain categories of member can retire early on unreduced pension if aged 60 or over and their age plus service is greater than or equal to 85 years. Service in this case includes the period between date of exit and date pension commences.</p>	Pension payable on retirement at normal pension age calculated as for normal retirement based on revalued Pensionable Pay during period of membership.
<b>CARE revaluation in service</b>	Not applicable	In line with increases in the Consumer Prices Index (CPI)
<b>Deferred pension revaluation after leaving</b>	<ul style="list-style-type: none"> <li>▪ Guaranteed Minimum Pensions (GMPs) increase in deferment in line with State revaluation factors.</li> <li>▪ Deferred pensions in excess of GMPs increase in line with CPI</li> </ul>	In line with CPI
<b>Pension increases in payment</b>	<ul style="list-style-type: none"> <li>▪ GMPs accrued after 6 April 1988 increase at the lower of 3% pa and CPI</li> <li>▪ Pensions in payment in excess of GMPs increase in line with CPI</li> </ul>	In line with CPI

	2008 (and pre-2008) Scheme	2014 Scheme
<b>Death benefits</b>	<ul style="list-style-type: none"> <li>▪ A cash sum of 3 x Final Pay at exit.</li> <li>▪ A partner's pension of 1/160 of Final Pay at exit for each year of Pensionable Service, including a service enhancement that would have applied had retirement due to ill-health under Tier 1 occurred at the date of death.</li> <li>▪ Partners are spouses, civil partners and co-habitees.</li> <li>▪ Children's pensions may be payable.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A cash sum of 3 x Pensionable Pay at exit.</li> <li>▪ A partner's pension of 1/160 of revalued Pensionable Pay received during membership to date of death plus an enhancement to pension of 1/160 of Pensionable Pay at death for each year between death and normal pension age.</li> <li>▪ Partners are spouses, civil partners and co-habitees.</li> <li>▪ Children's pensions may be payable.</li> </ul>
<b>State pension scheme</b>	<p>The Scheme is contracted out of the State Second Pension Scheme.</p>	<p>The Scheme is contracted out of the State Second Pension Scheme.</p> <p>Note that the Government proposes abolishing contracting out from April 2016.</p>
<b>Protections /underpins</b>	<p>Pre 2008 benefits protected.</p> <p>Rule of 85 retained for members aged over 60 on 31 March 2016. Partial protection of Rule of 85 for members aged over 60 on 31 March 2020.</p>	<p>Pre 2014 benefits protected (including link to eventual Final Pay).</p> <p>Underpin of benefits on 2008 Scheme structure for members aged over 55 in April 2012.</p> <p>Rule of 85 protections where applicable will continue to apply in the 2014 Scheme.</p>
<b>Vesting period</b>	<p>A refund of member contributions is paid for members leaving membership with qualifying service of less than 3 months.</p>	<p>A refund of member contributions is paid for members leaving membership with qualifying service of less than 2 years.</p>

# Appendix 5: Consolidated revenue account

*We show a summary of the revenue and outgo of the Fund since the previous valuation below.*

		Total £000s
<b>Fund as at 31 March 2010</b>		<b>571,944</b>
<b>Income</b>		
Contributions	Employer normal	77,886
	Employer special	1,952
	Employee	26,178
Transfers-in		12,378
Investment income		25,722
<b>Total income</b>		<b>144,116</b>
<b>Outgo</b>		
Pensions paid		63,505
Retirement cash sums		17,693
Transfers-out		12,950
Refund of contributions to leavers		43
Expenses	Investment	3,721
	Administration	2,078
<b>Total outgo</b>		<b>99,990</b>
<b>Change in market value</b>		<b>115,113</b>
<b>Fund as at 31 March 2013</b>		<b>731,183</b>

# Appendix 6: Employer funding strategies

*An Employer's funding strategy depends on its own circumstances. Key details for each Employer are set out below. See the sections on Funding Objective and the Glossary in Appendix 12 for more details.*

Employer	Recovery period (years)	Stepping period (if any) (years)	Subsuming Employer (if any)
London Borough of Enfield Group	20	5	n/a
Enfield Homes	20	5	London Borough of Enfield
Metropolitan Support Trust	20	5	London Borough of Enfield
Enfield Voluntary Action	20	5	London Borough of Enfield
Enfield Grammar Academy	5	n/a	n/a
Capel Manor College	10	n/a	n/a
Oasis Academy Enfield (Enfield Academy)	n/a	n/a	n/a
Churchill Services	n/a	n/a	London Borough of Enfield
Oasis Academy Hadley	n/a	n/a	n/a
Norse Commercial Services	n/a	n/a	London Borough of Enfield
Cuckoo Hall Academy Group	5	n/a	n/a

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Employer	Recovery period (years)	Stepping period (if any) (years)	Subsuming Employer (if any)
Fusion Lifestyle	n/a	n/a	London Borough of Enfield
Aylward Academy	n/a	n/a	n/a
Nightingale Academy	5	n/a	n/a
Kingsmead School	n/a	n/a	n/a
Kier Group	n/a	n/a	Oasis Academy Hadley
Sodexo	n/a	n/a	Oasis Academy Hadley
Enfield Heights Academy	n/a	n/a	n/a
Outward Housing	n/a	n/a	n/a

Note: Employers who were in surplus at the valuation date have been listed with a recovery period of n/a in the above table.

# Appendix 7: Assumptions used to value the liabilities

*The assumptions used for calculating the past service liabilities and the cost of future benefit accrual are summarised below. Different assumptions are used for the low risk measure, as set out in Appendix 8.*

## Financial assumptions

<b>In service discount rate</b>	<b>5.5% pa</b>
<i>Scheduled bodies</i>	5.5% pa
<i>Orphan bodies</i>	5.2% pa
<b>Left service discount rate</b>	<b>5.5% pa</b>
<i>Scheduled bodies</i>	5.5% pa
<i>Orphan bodies</i>	3.9% pa
<b>Rate of Pensionable Pay increases (service up to 31 March 2014 only) (in addition to promotional increases)</b>	<b>3.9% pa</b>
<b>Rate of RPI price inflation</b>	<b>3.3% pa</b>
<b>Rate of CPI price inflation</b>	<b>2.4% pa</b>
<b>Rate of revaluation of pension accounts</b>	<b>2.4% pa</b>
<b>Rate of pension increases</b>	
<b>on non GMPs</b>	<b>2.4% pa</b>
<b>on post 88 GMPs</b>	<b>2.0% pa</b>
<b>Rate of deferred pension increases</b>	<b>2.4% pa</b>
<b>Administration expenses</b>	<b>0.5% of Pensionable Pay</b>

## Demographic assumptions

<b>Pre-retirement base mortality</b>	Males: 75% of Standard SAPS Normal Health Light tables Females: 75% of Standard SAPS Normal Health Light tables										
<b>Post-retirement base mortality</b>	Normal Health: Males: 100% of Standard SAPS Normal Health Light tables Females: 80% of Standard SAPS Normal Health Light tables III Health: Males: 100% of Standard SAPS III Health tables Females: 80% of Standard SAPS III Health tables										
<b>Improvements to base mortality</b>	An allowance for improvements between 2002 and 2013 and an allowance for future improvements has been made in line with the CMI 2012 Core Projections assuming a long-term annual rate of improvement in mortality rates of 1.5% pa for men and women.										
<b>Promotional salary increases</b>	Allowance has been made for age-related promotional increases (see sample rates below).										
<b>Withdrawals</b>	Allowance has been made for withdrawals from service (see sample rates below). On withdrawal, members are assumed to leave a deferred pension in the Fund.										
<b>Retirement age</b>	<p>Members were assumed to retire at the following ages:</p> <table border="1"> <thead> <tr> <th><b>Member group</b></th> <th><b>Assumed age at retirement</b></th> </tr> </thead> <tbody> <tr> <td>Active members with protected Rule of 85 age (joined LGPS before 1 October 2006 and attained age 60 before 1 April 2020)</td> <td>Rule of 85 age (or age 60 if higher). Any part of their pension payable from a later age will be reduced.</td> </tr> <tr> <td>All other active members</td> <td>Age 65. Post 2014 pensions will be reduced if the member's State Pension Age is projected to be over age 65 at that point.</td> </tr> <tr> <td>Deferred members who left the Fund before 1 April 2013 with protected Rule of 85 age</td> <td>Rule of 85 age (or age 60 if higher). Any part of their pension payable from a later age will be reduced.</td> </tr> <tr> <td>Deferred members who left the Fund before 1 April 2013 with no protected Rule of 85 age</td> <td>Age 65.</td> </tr> </tbody> </table>	<b>Member group</b>	<b>Assumed age at retirement</b>	Active members with protected Rule of 85 age (joined LGPS before 1 October 2006 and attained age 60 before 1 April 2020)	Rule of 85 age (or age 60 if higher). Any part of their pension payable from a later age will be reduced.	All other active members	Age 65. Post 2014 pensions will be reduced if the member's State Pension Age is projected to be over age 65 at that point.	Deferred members who left the Fund before 1 April 2013 with protected Rule of 85 age	Rule of 85 age (or age 60 if higher). Any part of their pension payable from a later age will be reduced.	Deferred members who left the Fund before 1 April 2013 with no protected Rule of 85 age	Age 65.
<b>Member group</b>	<b>Assumed age at retirement</b>										
Active members with protected Rule of 85 age (joined LGPS before 1 October 2006 and attained age 60 before 1 April 2020)	Rule of 85 age (or age 60 if higher). Any part of their pension payable from a later age will be reduced.										
All other active members	Age 65. Post 2014 pensions will be reduced if the member's State Pension Age is projected to be over age 65 at that point.										
Deferred members who left the Fund before 1 April 2013 with protected Rule of 85 age	Rule of 85 age (or age 60 if higher). Any part of their pension payable from a later age will be reduced.										
Deferred members who left the Fund before 1 April 2013 with no protected Rule of 85 age	Age 65.										
<b>Retirement cash sum</b>	Each member was assumed to surrender pension on retirement, such that total cash received (including any accrued lump sum for pre 2008 membership) is 70% of the permitted maximum.										
<b>Family details</b>	<p>A man was assumed to be three years older than his wife/partner.</p> <p>90% of non-pensioners were assumed to be married or have a spouse, civil partner or co-habitee ('partner') at retirement or earlier death.</p> <p>90% of pensioners were assumed to be married or have a partner at age 65 or younger.</p>										

	<p>Partners were assumed to exhibit the same mortality as pensioners of the same sex who retired in normal health.</p> <p>No allowance has been made for children's pensions.</p>
<b>Take up of 50/50 scheme</b>	An allowance consistent with that used by the Government Actuary's Department in the costing of the 2014 Local Government Pension Scheme based on an assumption of 10% of members earning less than £21,000 electing to join the 50:50 scheme.

### Sample rates

Current age	Percentage promotional pay increase over year	Percentage leaving the Fund each year as a result of withdrawal from service	Percentage leaving the Fund each year as a result of ill-health retirement
		Men and Women	Men and Women
20	5.97	17.6	0.00
25	4.60	11.6	0.00
30	2.44	8.3	0.02
35	1.45	6.5	0.03
40	1.35	5.2	0.05
45	1.27	4.2	0.11
50	0.00	3.3	0.31
55	0.00	2.9	0.63
60	0.00	1.7	1.26

### III health retirement types

Tier	Assumed proportion in each tier
1	85%
2	10%
3	5%

# Appendix 8: Assumptions for low risk measure

*The low risk measure considers the position if no allowance is made in the discount rate for returns on the Fund assets to exceed the yields available on long dated UK government bonds as at 31 March 2013, as shown below.*

*All other assumptions are the same as shown in Appendix 7.*

## Financial Assumptions

In service discount rate	3.2% pa
Left service discount rate	3.2% pa

# Appendix 9: Membership experience

*We have compared the actual numbers of deaths, retirements and other exits since the previous valuation with the numbers expected on the assumptions used for the current valuation:*

Type of exit	Men	Women
<b>Death in service</b>		
Actual	7	12
Expected	7	16
<b>Withdrawals (excluding refunds)</b>		
Actual	377	1,145
Expected	229	688
<b>Normal and voluntary retirements</b>		
Actual	78	203
Expected	170	336
<b>Ill-health retirements</b>		
Actual	7	20
Expected	13	41
<b>Severance and redundancy retirements</b>		
Actual	41	68
Expected	Nil	Nil

# Appendix 10: Current contribution rates

*Employers in the Fund at the previous valuation date have paid contributions at the following rates in the year ended 31 March 2014.*

Employer	% Pensionable Pay	Additional monetary amount £
<b>Scheduled bodies</b>		
London Borough of Enfield Group (including schools)	19.7	1,394,000
Capel Manor College	18.5	56,900
Oasis Academy Enfield	12.5	-
Oasis Academy Hadley	15.9	76,400
Enfield Homes Limited	19.7	56,400
<b>Admission bodies</b>		
Enfield Voluntary Action	19.7	64,800
Churchill	20.2	470
NORSE Commercial Services	18.0	-
Metropolitan Support Trust	15.2	4,300

# Appendix 11: Rates and Adjustments Certificate

*Actuarial certificate given for the purposes of Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008*

In accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 (the 'Administration Regulations'), we certify that contributions should be paid by Employers at the following rates for the period 1 April 2014 to 31 March 2017.

- A common rate of 15.6% of Pensionable Pay.
- Individual adjustments which, when added to or subtracted from the common rate, produce the following minimum Employer contribution rates

Employer	Contribution rate 1 April 2014 to 31 March 2017 % Pensionable Pay	Additional monetary amount Year commencing 1 April		
		2014 £	2015 £	2016 £
<b>Scheduled bodies</b>				
London Borough of Enfield Group	20.9%	-	-	-
Enfield Grammar Academy	17.7%	17,400	18,100	18,800
Capel Manor College	14.9%	51,400	53,400	55,500
Oasis Academy Enfield	11.8%	-	-	-
Oasis Academy Hadley	14.6%	-	-	-
Cuckoo Hall Academy Group	14.5%	3,400	3,500	3,700
Aylward Academy	15.1%	-	-	-
Nightingale Academy	16.1%	20,200	21,000	21,800
Kingsmead School	15.8%	-	-	-
Enfield Heights Academy	9.3%	-	-	-
<b>Admission bodies</b>				
Enfield Homes	20.9%	-	-	-
Metropolitan Support Trust	20.9%	-	-	-
Enfield Voluntary Action	20.9%	-	-	-
Churchill Services	11.6%	-	-	-
Norse Commercial Services	25.0%	-	-	-

Employer	Contribution rate 1 April 2014 to 31 March 2017 % Pensionable Pay	Additional monetary amount Year commencing 1 April		
		2014 £	2015 £	2016 £
Fusion Lifestyle	25.0%	-	-	-
Kier Group	13.9%	-	-	-
Sodexo	12.5%	-	-	-
Outward Housing	18.4%	-	-	-

The contributions shown above represent the minimum contributions to be paid by each Employer. Employers may choose to pay additional contributions from time to time subject to the Administering Authority's agreement.

Where payments due from an Employer are expressed as monetary amounts, the amounts payable by that Employer should be adjusted to take account of any amounts payable, in respect of a surplus or shortfall to which those monetary payments relate, by new employers created after the valuation date which have been credited with proportions of the assets and liabilities of the relevant Employer. Any adjustment should be as advised by the Fund Actuary.

Additional contributions may be required in respect of any additional liabilities that arise under the provisions of Regulations 30, 31, 35 and 38 of the 2013 Regulations, and Employers will be notified of such contributions separately by the Administering Authority.

Additional contributions may be payable by any Employers which have ceased to participate in the Fund since 31 March 2013 and these will be certified separately.

Contribution rates for Employers commencing participation in the Fund after 31 March 2013 will be advised separately.

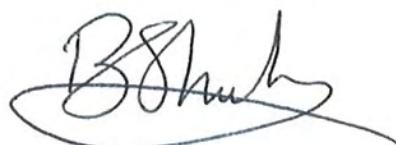
This certificate should be read in conjunction with the notes overleaf.

### Signed on behalf of Aon Hewitt Limited



**Timothy Lunn FIA**

Fellow of the Institute and Faculty of Actuaries



**Bijal Shah FIA**

Fellow of the Institute and Faculty of Actuaries

28 March 2014

Aon Hewitt Limited  
25 Marsh Street  
Bristol  
BS1 4AQ

## Notes to Actuary's certificate

The contribution rates certified have been assessed using the actuarial methods and assumptions detailed in our report dated 28 March 2014.

These assumptions imply the following levels of new retirement liabilities from active membership status:

Type of Retirement	Anticipated retirements over 4 year period from 1 April 2013 to 31 March 2017	
	Number	New Pension £'000
<b>Normal, late and voluntary under</b> Regulations 30(1) and 30(5) of the 2013 Regulations or Regulation 16 or 30 of the Benefit Regulations	797	6,596
Comments on Funding	<p>Such retirements are generally 'cost neutral'. Additional funding would not normally be required if actual retirements exceed the number anticipated, unless retirements occur before normal pension age and no reduction for early payment applies.</p> <p>The Administering Authority requires separate funding of any additional liabilities arising from such retirements and, as such, the financial impact of these retirements is neutral.</p>	
<b>III-health under</b> Regulation 35(1) of the 2013 Regulations or Regulation 20 of the Benefit Regulations	75	534
Comments on Funding	<p>Such retirements increase costs due to the early payment of enhanced benefits. If actual retirements exceed the number anticipated, and no action is taken before the next valuation, this would be identified as a source of loss at the next valuation.</p> <p>In accordance with Regulation 64(6)(b) of the 2013 Regulations the Administering Authority should monitor the number of ill-health retirements arising over each Fund year and refer the position to the Actuary if numbers exceed the levels implied above.</p>	

<b>Type of Retirement</b>	<b>Anticipated retirements over 4 year period from 1 April 2013 to 31 March 2017</b>	
	<b>Number</b>	<b>New Pension £'000</b>
<b>Severance and redundancy under</b> Regulation 30(7) of the 2013 Regulations or Regulation 19 of the Benefit Regulations	Nil	Nil
Comments on Funding	Such retirements increase costs due to the early payment of benefits. Any enhancement of benefits through the Fund would increase costs further.  The Administering Authority requires separate funding of liabilities arising from such retirements and, as such, the financial impact of these retirements is neutral.	
<b>Flexible retirement under</b> Regulation 30(6) of the 2013 Regulations or Regulation 18 of the Benefit Regulations	Nil	Nil
Comments on Funding	Such retirements are generally 'cost neutral'. Additional funding would not normally be required if actual retirements exceed the number anticipated, unless retirements occur before normal pension age and no reduction for early payment applies.  The Administering Authority requires separate funding of liabilities arising from such retirements and, as such, the financial impact of these retirements is neutral	

In this certificate references to:

- the 2013 Regulations mean the Local Government Pension Scheme Regulations 2013.
- the Benefits Regulations mean the Local Government Pension Scheme (Benefits, Membership, and Contributions) Regulations 2007.
- the Administration Regulations mean the Local Government Pension Scheme (Administration) Regulations 2008.

# Appendix 12: Glossary

## **Active member**

A person who is employed by an employer participating in the Fund, and is paying (or is treated as paying) contributions to the Fund (includes certain members temporarily absent, eg due to family leave or sickness).

## **Admission Body**

An employer admitted to the Fund under an admission agreement.

## **Attained age method**

This is one of the methods used by actuaries to calculate a contribution rate to the Fund. This method calculates the present value of the benefits expected to build up over members' expected remaining membership of the Fund expressed as a percentage of their expected future pensionable pay. It allows for projected future increases to pension accounts through to retirement or date of leaving service. The method is based on the current membership and takes no account of the possibility of further members joining the Fund. If there are no new members, this method would be expected to result in a stable contribution rate as a percentage of pay, once surpluses or shortfalls are taken into account, and if all the other assumptions are borne out. However, if more members join the Fund to replace older leavers, the contribution rate can be expected to fall.

## **Best estimate**

Best estimate assumptions are such that the eventual outcome is considered equally likely to be higher or lower than the best estimate.

## **Consumer Prices Index (CPI)**

This is the price inflation index that increases to pensions and deferred pensions paid by the Fund are based on. It is published every month by the Office of National Statistics.

## **Deferred member**

A former employee who has left active membership, but has not yet received any benefits from the Fund and is prospectively entitled to receive a deferred pension from his/her normal pension age.

## **Discount rate**

This is used to place a present value on a future payment. A 'low risk' discount rate is usually derived from the investment return achievable by investing in UK government bonds. A discount rate higher than the 'low risk' rate is often used to allow for some of the extra investment return that is expected by investing in assets other than UK government bonds.

## **Funding objective**

To hold sufficient and appropriate assets to cover the funding target.

## **Funding ratio**

This is the ratio of the value of assets to the funding target.

## **Funding strategy statement**

A document prepared by the Administering Authority in accordance with the Administration Regulations which sets out the funding strategy adopted for the Fund. The Actuary must have regard to this statement in preparing this actuarial valuation.

## **Funding target**

An assessment of the present value of the benefits that will be paid from the Fund in the future, normally based on pensionable service prior to the valuation date. Under the current Funding Strategy Statement the funding target is equal to the past service liabilities calculated on a prudent set of assumptions.

## **Future service contribution rate**

The contribution rate (expressed as a percentage of Pensionable Pay) required to meet the cost of benefits which will accrue to members in future.

## **Guaranteed Minimum Pensions (GMPs)**

Most Funds that were contracted out of the State Earnings Related Pension Scheme (SERPS) before April 1997 have to provide a pension for service before that date at least equal to the Guaranteed Minimum Pension (GMP). This is approximately equal to the SERPS pension that the member would have earned had the Fund not been contracted out. GMPs ceased to accrue on 6 April 1997 when the legislation changed.

## **Orphan body**

This is an admission body or other employer whose participation in the Fund may cease at some future point in time, after which it is expected that the Administering Authority will have no access to future contributions in respect of the employer's liabilities in the Fund once any liability on cessation has been paid.

## **Past service liabilities**

This is the present value of the benefits to which members are entitled based on pensionable service to the valuation date, assessed using the assumptions agreed between a Fund's Administering Authority and the Actuary. It generally allows for projected future increases to pay through to retirement or date of leaving service.

## **Present value**

Actuarial valuations involve projections of pay, pensions and other benefits into the future. To express the value of the projected benefits in terms of a cash amount at the valuation date, the projected amounts are discounted back to the valuation date by a discount rate. This value is known as the present value. For example, if the discount rate was 6% a year and if we had to pay a cash sum of £1,060 in one year's time the present value would be £1,000.

## **Projected unit method**

One of the common methods used by actuaries to calculate a contribution rate to a Fund.

This method calculates the present value of the benefits expected to accrue to members over a control period (often one year) following the valuation date. The present value is usually expressed as a percentage of the members' pensionable pay. It allows for projected future increases to benefits through to retirement or date of leaving service. Provided that the distribution of members remains stable with new members joining to take the place of older leavers, the contribution rate calculated can be expected to remain stable, if all the other assumptions are borne out. If there are no new members however, the average age of the remaining active members will increase and the contribution rate can be expected to rise.

## **Prudent**

Prudent assumptions are such that the actual outcome is considered to be more likely to be favourable, than unfavourable, than the prudent assumption. For example, prudent assumptions are more likely to overstate than understate the amount of money actually required to meet the cost of the benefits.

## **Rates and Adjustments Certificate**

A certificate required at each actuarial valuation under the Regulations, setting out the contributions payable by employers for the 3 years from the 1 April following the valuation date.

## **Recovery period**

The period over which any surplus or shortfall is to be eliminated.

## **Recovery plan**

Where a valuation shows a funding shortfall against the past service liabilities, a recovery plan sets out plans to meet the funding objective.

## **Regulations**

The statutory regulations setting out the contributions payable to, and the benefits payable from, the Local Government Pension Scheme and how the Funds are to be administered. They currently include the following sets of regulations:

▪ 1997 Regulations	Local Government Pension Scheme Regulations 1997
▪ Administration Regulations	Local Government Pension Scheme (Administration) Regulations 2008
▪ Benefits Regulations	Local Government Pension Scheme (Benefits, Membership, and Contributions) Regulations 2007
▪ Transitional Regulations	Local Government Pension Scheme (Transitional provisions) 1997

From April 2014 the following Regulations will set out the new 2014 Scheme:

▪ 2013 Regulations	Local Government Pension Scheme Regulations 2013
▪ 2014 Transitional Regulations	Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014

## **Scheduled body**

Employers which participate in the Fund under Schedule 2 of the Administration Regulations.

## **Shortfall**

Where the assets are less than the Funding target, this is the Funding target less the value of assets.

## **Shortfall contributions**

Additional contributions payable by employers to remove the shortfall by the end of the recovery period.

## **State Pension Age (SPA)**

Age at which State pensions are payable. Current legislation specifies the following ages:

- Currently age 65 for men; transitioning to age 65 for women by 2018.
- Current legislation transitions State Pension Age for both men and women to age 68 by 2046, as follows:
  - to age 66 by 2020
  - to age 67 by 2036
  - to age 68 by 2046

Legislation to bring forward the increase to age 67 to 2028 is expected to be enacted in Spring 2014.

The Government has announced further proposed changes to link changes in State Pension Age to improvements in longevity.

## **Subsumption and subsumption body**

When an admission body or other employer ceases participation in the Fund, so that it has no employees contributing to the Fund, and once any contribution on cessation as required by the Regulations has been paid, the Fund will normally be unable to obtain further contributions from that employer (eg if future investment returns are less than assumed). It is however possible for another long term employer in the Fund (generally a scheduled body) to agree to be a source of future funding should any funding shortfalls emerge on the original employer's liabilities. The long term employer effectively subsumes the assets and liabilities of the ceasing employer into its own assets and liabilities.

In this document this is known as subsumption. In this document the admission body or other employer being subsumed is referred to as a subsumption body and its liabilities are known as subsumed liabilities.

## **Strains**

These represent the value of additional benefits granted to members under a discretion of the employer or the Administering Authority. They include the cost of providing enhanced benefits on retirement or redundancy.

## **Surplus**

Where the assets are greater than the Funding target, this is the value of assets less the Funding target.

## **Transfer value**

Members generally have a legal right to transfer their benefits to another pension arrangement before they retire. In taking a transfer, members give up their benefits in a Fund, and a sum of money (called the transfer value) is paid into another approved pension Fund; this is used to provide pension benefits on the terms offered in that Fund.